THE LOAN GUIDE

MDHE
Missouri Department of Higher Education
Building Missouri's future... by degrees®

30th ANNIVERSARY

The smart approach to student loans and consumer debt

MDHE™
Missouri Department of Higher Education
Building Missouri's future... by degrees®

This brochure contains important information about student loans. It is a valuable resource to assist you, as a borrower, in making smart repayment decisions and in understanding your options for avoiding delinquency and default.

Important note for loan borrowers who have graduated, withdrawn, or dropped below half-time enrollment:

Your school will notify you if you have been provided this brochure for loan counseling purposes. If that is the case, your school may instruct you to complete the Exit Interview Verification Form inserted at the end of this brochure. Completed forms should be returned to:

MDHE c/o ASA
PO Box 55757
Boston, MA 02205

TIP:

Student loans help make education possible for many students. Federal student loans have low interest rates, flexible repayment options, and low fees.

When you receive a student loan, you must repay it even if you:

- Are not satisfied with your education.
- Do not complete your program of study.
- Are unable to obtain employment.

Remember:

- The amount of money you decide to borrow for school may affect your lifestyle after you leave school.
- Your ability or inability to repay your student loan will affect your credit rating for purchases such as a car or home.
- Failure to repay your student loan can increase your total debt because unpaid interest and collection costs may be added to your loan balance.

Ask your financial aid officer for a *Loan Portfolio*. Use the MDHE *Loan Portfolio* to keep copies of important loan information and records in one place.

Start Smart

Before you decide to borrow

Furthering your education is a decision you make to develop your potential and pursue future career goals. It is also a major investment of your time, effort, and money. The earlier you start planning, the more you can save.

1**. Think about what you're looking for in a career.** Consult your high school counselor or college advisor to assess your interests and abilities. Then use resources such as The Occupational Outlook Handbook (www.bls.gov/oco) to research occupations that best match your personal interests and skills. To gain more perspective, talk to students, faculty, and alumni about their experiences in programs of study leading to those careers. Knowing your educational path early can save you time and money by eliminating unnecessary classes or delays.

2. Explore all types of schools. You have many options for continuing your education, including two- and four-year public and independent colleges and universities, as well as private career schools. Learn which is best for your program of study and your budget. If you are considering an out-of-state school, be prepared to pay out-of-state tuition, which may cost twice as much as tuition for in-state schools.

3. Develop a financial plan. By increasing your income and decreasing your spending, you might not need to borrow student loans. If you do need to borrow, you might be able to borrow less, reducing your total student loan debt and future obligations.

Increase your resources

Financial Aid – Missouri offers several student financial assistance programs to help you pay for college. For more information on state and federal student financial assistance, visit http://www.dhe.mo.gov/ppcindex.shtml or contact the MDHE at (800) 473-6757, (573) 751-3940, or info@dhe.mo.gov. For additional information about federal financial assistance, call the Federal Student Aid Information Center at (800) 4-FED-AID or visit www.studentaid.ed.gov.

You should also contact college and university financial aid offices for information on their financial aid programs and investigate scholarship opportunities through community groups, businesses, religious groups, and civic and service organizations.

Savings – In addition to personal savings, MOST, Missouri's 529 College Savings Plan, can be used to pay for college. MOST offers a combination of federal and state tax incentives to encourage participants to save for college. For more information, call (888) 414-MOST or visit www.missourimost.org.

Federal Tax Incentives – Federal law provides several tax incentives to help students and families pay for college. You or your parents may qualify for a tax incentive such as:

- College Tuition Deduction
- Hope Scholarship Tax Credit
- Lifetime Learning Tax Credit
- Student Loan Interest Deduction

For more information, visit www.irs.gov and refer to Publication 970 or contact the Internal Revenue Service at (800) 829-1040. You can also visit Mapping Your Future at mappingyourfuture.org/Paying/taxcredit.htm.

Work – Federal Work-Study, work programs, internships, part-time jobs, summer and holiday work, and assistantships all provide income as well as work experience and references. Check student employment opportunities on your campus.

Tuition Reimbursement – Employers may reimburse or provide financial assistance to employees for college expenses.

Cooperative Education – Some schools offer work-for-credit programs.

Sponsorship – Some organizations and companies pay college expenses in return for work after graduation.

Military – Local military recruiters can provide information about their educational financing options.

Decrease your expenses

Prepare for college while you are in high school.
Data indicates that students who start their college preparation early by taking rigorous courses in high school may eliminate the need for remedial courses in college. In addition, these students are better prepared for college and graduate from college at a higher rate.

Follow an academic plan.
Many students change their majors while in college, sometimes postponing their graduation dates by a semester or more. Choose a degree program early, and plan a schedule of courses for your entire time in college, ensuring you do not take longer than necessary to graduate.

Eliminate or reduce spending for unnecessary items.
For example, live at home or find a roommate to share expenses. Consider carpooling or taking public transportation.

Know if you can afford to attend the school of your choice.
Once you select a school and know the amount of financial assistance you will receive, decide whether you can afford to attend that school by using the steps in the following section to prepare a budget.

TIP:

Plan ahead and cut back on college expenses. You can earn college credit in high school by taking Advanced Placement or dual credit courses.

Smart Decisions

Budgeting and debt management

Use these steps to prepare an estimated budget to determine your discretionary income after you leave school or to help you decide how much you can afford to borrow while you are in school.

1. **Identify your sources of income, including your anticipated take-home pay for your chosen career or major.**
   Visit www.salary.com to research salary information.

2. **Calculate your expenses.**
   - Include your anticipated monthly student loan payments as well as rent/mortgage, groceries, utilities, transportation, medical, and personal expenses.
   - Once you have borrowed a student loan, use the National Student Loan Data System (NSLDS) at www.nslds.ed.gov to access your student loan account and determine your total debt. You may also get the information by calling (800) 4-FED-AID.
   - Use the loan calculator at mappingyourfuture.org/paying/standardcalculator.htm to estimate your monthly student loan payments based on the amount you borrow or expect to borrow, or use the student loan repayment charts in this publication on pages 8 and 9.

3. **Subtract your expenses from your income to calculate your discretionary income.**
   You should have some discretionary income.

8 percent rule

Most financial advisors recommend student loan payments not exceed 8% of your monthly gross income. Multiply your estimated gross income (before taxes and other withholdings) by .08. Your student loan payments should not exceed this amount.

Remember:

Borrow only the amount you need. If you determine that you need additional funds later, talk with your school's financial aid office.

Student Loan Repayment Chart

Standard 10-Year Repayment Period

Total Amount Borrowed	Monthly Minimum Payment	Total Interest Paid	Minimum Annual Salary	Minimum Hourly Salary
$5,000	$57.54	$1,904.83	$8,631.00	$4.15
$7,500	$86.31	$2,857.24	$12,946.50	$6.22
$10,000	$115.08	$3,809.66	$17,262.00	$8.30
$12,500	$143.85	$4,762.04	$21,577.00	$10.37
$15,000	$172.62	$5,714.45	$25,893.00	$12.45
$17,500	$201.39	$6,666.86	$30,208.00	$14.52
$20,000	$230.16	$7,619.27	$34,524.00	$16.60
$25,000	$287.70	$9,524.09	$43,155.00	$20.75
$30,000	$345.24	$11,428.91	$51,786.00	$24.90
$35,000	$402.78	$13,333.73	$60,417.00	$29.05
$42,500	$489.09	$16,190.96	$73,363.00	$35.27
$57,500	$661.71	$21,905.42	$99,256.00	$47.72
$65,000	$748.02	$24,762.65	$112,203.00	$53.94
$72,500	$834.33	$27,619.88	$125,149.00	$60.17
$87,500	$1,006.95	$33,334.35	$151,042.00	$72.62
$95,000	$1,093.26	$36,191.57	$163,989.00	$78.84
$102,500	$1,179.57	$39,048.80	$176,936.00	$85.07
$117,500	$1,352.19	$44,763.26	$202,829.00	$97.51
$138,500	$1,593.86	$52,763.50	$239,079.00	$114.94

All figures on pages 8 and 9 are based on a 6.8% annual interest rate and equal monthly payments, and assume the student is paying interest charges on any unsubsidized loans and not capitalizing interest while in school. When borrowing only subsidized Stafford Loans, the interest rate and payment amount may be lower.

Minimum salaries on pages 8 and 9 are based on the 8% recommendation: Student loan payments should not exceed 8% of your gross income.

All figures on pages 8 and 9 assume student is paying interest charges on any unsubsidized loans and not capitalizing the interest while in school.

You may be eligible for the extended repayment plan on page 9 if you received your first loan on or after October 7, 1998, and your total student loan debt exceeds $30,000.

Student Loan Repayment Chart

Standard 25-Year Repayment Period

Total Amount Borrowed	Monthly Minimum Payment	Total Interest Paid	Minimum Annual Salary	Minimum Hourly Salary
$30,000	$208.22	$32,466.48	$31,233.00	$15.02
$35,000	$242.92	$37,877.57	$36,439.00	$17.52
$42,500	$294.98	$45,994.19	$44,247.00	$21.27
$57,500	$399.09	$62,227.93	$59,863.00	$28.78
$65,000	$451.15	$70,344.05	$67,672.00	$32.53
$72,500	$503.20	$78,460.68	$75,480.00	$36.29
$87,500	$607.31	$94,693.92	$91,096.00	$43.80
$95,000	$659.36	$102,810.54	$98,905.00	$47.55
$102,500	$711.42	$110,927.17	$106,713.00	$51.30
$117,500	$815.53	$127,160.41	$122,330.00	$58.81
$138,500	$961.28	$149,886.95	$144,193.00	$69.32

Borrow from one servicer

Borrow from the same servicer* and within the same loan program every year you need a student loan to ensure your repayment will be as smooth as possible. If you borrow from multiple servicers or programs, you will have to make multiple student loan payments each month. If you transfer schools, request your prior servicer from your new school's financial aid office. If, for example, you borrowed a FFELP (Federal Family Education Loan Program) loan at your community college, make sure to continue borrowing FFELP loans after you transfer to a four-year college. Remember: the choice of loan providers is yours, as the borrower, and NOT your school's. Choose your lender and servicer wisely!

* To verify the servicer used by banks and lenders providing FFELP loans, visit www.dhe.mo.gov/mdhe/lenderlist.jsp.

Rights and responsibilities

The promissory note that you are required to sign when you borrow a student loan lists your rights and responsibilities. Keep this information and know the terms and conditions of the loans you have borrowed.

Smart Choices

Loan types

The Missouri Department of Higher Education (MDHE) administers the Federal Family Education Loan Program (FFELP) on behalf of the U.S. Department of Education. FFELP loans include subsidized and unsubsidized Federal Stafford, parent PLUS, and graduate PLUS loans. Your school's financial aid office can tell you which loan types you are eligible to receive.

Subsidized Federal Stafford Loans

Eligibility for a subsidized Federal Stafford Loan is based on financial need as determined by a standard federal formula:

Cost of Attendance (COA)
— Expected Family Contribution (EFC)
— Grants, scholarships, and other assistance

= Unmet financial need*

Unsubsidized Federal Stafford Loans

Unsubsidized Federal Stafford Loans are awarded according to the following formula:

Cost of Attendance (COA)
— Grants, scholarships, and other assistance

= Loan eligibility*

*Subject to annual and aggregated loan limits on center panel.

TIP:

Make an appointment with your financial aid officer. They can let you know what types of loans you are eligible to receive, and will talk to you about choosing a lender.

Federal PLUS Loans

Federal PLUS Loans are available to parents (for their dependent undergraduate students) and to graduate and professional students (for themselves).

Federal law requires that lenders check the credit history of PLUS applicants. Applicants may be denied a Federal PLUS Loan due to adverse credit, which is defined as either:

- The applicant being subject to a default, tax lien, write-off of an educational debt, bankruptcy discharge, foreclosure, repossession, or wage garnishment during the previous five years.

  OR

- The applicant being delinquent on the repayment of any debt as follows:
  - More than 180 days delinquent on a mortgage payment during the period January 1, 2007 through December 31, 2009
  - More than 180 days delinquent on any medical bill payments during the period January 1, 2007 through December 31, 2009
  - More than 89 days delinquent on the repayment of any other debt

In some cases, an applicant may appeal an adverse credit determination.

Note: If a parent is denied a Federal PLUS Loan due to adverse credit, the dependent student may be eligible for an additional unsubsidized Federal Stafford Loan.

Federal Consolidation Loans

A Federal Consolidation Loan allows you to combine one or more qualifying, outstanding student loans into one new loan with new terms and one payment to a single lender. Generally, consolidation results in lower monthly payments but increased total debt.

Low interest rates

For loans first disbursed on or after July 1, 2006, the interest rate is a fixed rate.

- Subsidized Stafford Loans for undergraduate borrowers have a fixed rate of 5.6% for loans first disbursed between July 1, 2009 and June 30, 2010.
- Unsubsidized Stafford Loans and subsidized Stafford Loans for graduate students have a fixed rate of 6.8%.
- Federal Plus Loans have an 8.5% fixed rate.

Interest Rates

Subsidized Federal Stafford Loan

For loans first disbursed between July 1, 2009 and June 30, 2010, undergraduate borrowers will receive a fixed rate of 5.6% and graduate borrowers will receive a fixed rate of 6.8%. The federal government will pay the interest on your loan as long as you are continuously enrolled at least half time, are in your six-month grace period (after you stop attending school at least half time), or have been granted a deferment.

Unsubsidized Federal Stafford Loan

Borrowers will receive a fixed rate of 6.8%. Interest begins accruing on the loan immediately after the first disbursement and continues to accrue until the principal balance is paid in full. You may either pay the interest while you are in school or you may have the interest added on to your principal balance and begin repaying the new, higher amount after your grace period ends.

Federal PLUS Loan, for parents or for graduate/professional students

Borrowers will receive a fixed rate of 8.5%. Interest begins accruing on the loan immediately after the first disbursement and continues to accrue until the principal balance is paid in full.

Federal Consolidation Loan

Borrowers will receive a weighted average of the interest rates of the loans being consolidated, rounded up to the nearest 1/8 of one percent and not to exceed 8.25%. Interest begins accruing on the loan when the disbursement is issued and continues to accrue until the principal balance is paid in full. Any portion of the loan that repays a Health Education Assistance Loan (HEAL) has a separate interest rate.

If you have questions regarding student loans or interest rates, contact your lender or the MDHE at (800) 473-6757, (573) 751-3940, or info@dhe.mo.gov.

Smart Results

Effect of interest

Interest is the cost of borrowing money. If you understand the effects of interest, you can make the right decisions to help reduce your total debt.

Principal balance is the original amount you borrowed, plus any capitalized interest, less any principal payments.

Simple interest is calculated on the principal portion of your student loan and accrues everyday.

Capitalized interest is unpaid accrued simple interest that is added to the principal balance. When interest is capitalized, your total debt increases. (This also increases your interest calculation.)

Variable interest rates are tied to a certain index (depending on the loan) and changes periodically as the index changes. Student loans borrowed prior to July 1, 2006, had variable interest rates.

Fixed interest rates do not change.

$$\text{Daily interest} = \frac{\text{Annual Interest Rate}}{\text{365.25 days}} \text{ X } \text{Unpaid Principal Balance}$$

Example

Interest accrual based on a $3,500 loan with an annual interest rate of 6.8%.

$$\text{Daily interest} = \frac{.068}{\text{365.25 days}} \text{ X } \$3{,}500$$

$$= \$.65161$$

The following example will give you a better understanding of how important it is to make interest payments during periods of deferment or while in school. Although you are not required to make these payments, you can save yourself a considerable amount of money over a standard 10-year repayment period.

Example

Joe borrows a total of $18,000 in unsubsidized Federal Stafford Loans during four years of school. Joe's interest rate is 6.8%.

	Amount Borrowed	Year-end Debt	Total Interest per year
Year 1	$4,000	$4,279.01	$23.25/mo • $279.01/yr
Year 2	$4,000	$8,856.50	$48.12/mo • $577.49/yr
Year 3	$5,000	$14,823.04	$80.55/mo • $966.54/yr
Year 4	$5,000	$21,205.77	$115.23/mo • $1,382.73/yr

Total interest paid on loans while in school $3,205.77

Repayment*

Monthly payment if Joe paid the interest before repayment began:	$207.14
Monthly payment if interest was capitalized before repayment began:	$244.04
Total interest paid over the life of all 4 loans if Joe paid interest before repayment began:	$9,857.00
Total interest paid if it was capitalized before repayment began:	$11,284.24

Joe saves $1,427.24 in interest over the life of the loan by making interest payments while in school!

*Based on a standard 10-year repayment period.

Smart Planning

Repayment options

Your loan holder should inform you of your repayment terms before you enter repayment. The terms will be based on a standard 10-year repayment plan; however, you should ask your holder about the following alternative plans and any other repayment options they offer. All charts in this section use 6.8% interest rate, assuming the student is paying interest charges on any unsubsidized loans and not capitalizing interest while in school.

Prepayment

- Prepayment is the smartest choice.
- You may prepay all or part of your loan at any time without penalty.
- Prepayment may substantially decrease your total interest costs.
- Be sure to indicate on any prepayment that your loan holder should apply it to the principal balance.

Standard repayment

- Lowest total cost if you are not prepaying.
- Fixed schedule of equal monthly payments.
- Maximum 10-year repayment period.
- Minimum $50 monthly payment.
- Ideal for borrowers capable of meeting full monthly principal and interest payments.

Graduated repayment

- Offers short-term relief.
- Monthly schedule that starts with small payments; the payment amount usually increases every two years.
- Your loan holder will set your minimum monthly payment, which generally must equal at least the monthly interest charge.
- Assumes your income will grow over time to cover the increasing loan payments.
- You will pay greater total interest than if you had chosen the standard repayment plan.
- Maximum 10-year repayment period.

Income sensitive repayment

- Offers a temporary safety net.
- Monthly schedule that fixes payments for one year at a time. Payments may increase or decrease each year as your annual income rises or falls.
- Maximum 10-year repayment period that can be extended annually up to five years if payments are less than the standard principal and interest.
- Your loan holder will set your minimum monthly payment based on income documentation you provide. Even if you are not required to, try to pay the amount of interest that will accrue on your loan each month. Otherwise, your loan balance will continue to grow.
- Monthly payments generally range from 4% to 25% of your monthly gross income.
- Substantially increases your total debt. Try to return to a standard repayment plan as soon as possible.

Income-Based Repayment

- Available to Stafford and graduate PLUS borrowers demonstrating "partial financial hardship."
- Your student loan payment would be no more than 15% of the difference between your adjusted gross income (AGI) and 150% of the poverty line for your family size.

Extended repayment

- Available if you received your oldest outstanding loan through the FFELP on or after October 7, 1998, and if your total FFELP debt exceeds $30,000.
- Fixed annual or graduated repayment schedule.
- Maximum 25-year repayment period.
- Your loan holder will set your minimum monthly payment, which must at least equal the amount of interest due. The minimum annual payment amount is $600.
- Substantially increases your total debt. Try to return to a standard repayment plan as soon as possible.

Repayment Examples

Standard Repayment Plan Example

Loan Amount	$18,000
Years of Repayment	10 years (120 payments)
Monthly Repayment	$207.14
Total Interest Paid During Repayment	$6,856.80
Total Amount Paid	**$24,856.80**

Graduated Repayment Plan Example

Loan Amount	$18,000
Years of Repayment	10 years (120 payments)
Monthly Repayment (starting)	$142.23 (will increase)
Total Interest Paid	$8,200
Total Amount Paid	**$26,200**

Income-Sensitive Repayment Plan Example

Loan Amount	$18,000
Years of Repayment	10 years (120 payments)
Annual Salary (First 3 year)	$22,000
Monthly Repayment (First 3 years)	$73.33
Monthly Repayment (Last 7 years)	$287.03
Total Interest Paid	$8,750.04
Total Amount Paid	**$26,750.04**

Income-Based Repayment Plan Example

Loan Amount	$18,000
Years of Repayment	21.3 years (257 payments)
First Year AGI	$22,000
Expected Income after 1st year	$28,000
1st Monthly Repayment	$80.00
10th Year Monthly Repayment	$136.98
Maximum Monthly Repayment	$207.17
Total Interest Paid	$19,181.72
Total Amount Paid	**$37,854.08**

Extended Fixed Repayment Plan Example

Loan Amount	$32,000
Years of Repayment	25 years (301 payments)
Monthly Repayment	$220.10
Total Interest Paid	$34,630.00
Total Amount Paid	**$66,630.00**

Problems with repayment

You may experience financial difficulties due to unemployment, illness, or other hardships during the course of your repayment period. Do not be embarrassed or afraid to talk to your loan holder about any difficulties you may have.

If you do not make a full payment on your loan each month, your loan will be considered delinquent. Delinquency can lead to default (see page 24 to learn about the consequences of default). Unlike consumer debt, such as credit cards and car loans, student loans have built-in options to help you. Contact your loan holder immediately if you are having problems making your payments. Understand the differences between your options.

Deferment

Defined as a period of time during which you may postpone payments.

- Interest continues to accrue on unsubsidized Federal Stafford Loans, Federal PLUS Loans, and most Federal Consolidation Loans. Unpaid interest will be added to your principal balance, increasing your total debt. Therefore, you may choose to make interest-only payments during deferment. Contact your loan holder to request this option.

- Various types of deferments are available. For example, in-school deferments, economic hardship deferments, military deferments, and unemployment deferments are available depending on when you borrowed your oldest outstanding loan.

- Your loan holder must grant your deferment request if you meet the federal eligibility requirements.

For additional information about deferments, go to mappingyourfuture.org/money/deferments.htm.

Forbearance

Defined as a period of time during which you are permitted to temporarily stop making payments, reduce the amount of your payment, or allow for an extension of the payment due date.

- Interest continues to accrue on all loan types.
- Your loan holder may grant you forbearance if you are willing, but temporarily unable to make full or partial payments, and do not qualify for a deferment.
- The decision to grant you forbearance is up to your loan holder; however, your loan holder may be required to grant forbearance under certain conditions.

Loan consolidation

Defined as the process of applying for a new loan that will be used to pay off your existing student loan debt.

- Option for borrowers who want to combine one or more of their eligible loan types into one loan and make payments to one loan holder.
- May result in an extended repayment period, which may cause your monthly payments to decrease.
- May result in a loss of deferment eligibility or other benefits available on existing loans.
- Usually results in a greater total debt.

Consult your loan holder to determine whether loan consolidation is the best option for you. Your loan holder may be able to tell you the interest rate, approximate repayment period, and approximate monthly payment amount.

Discharge or “loan forgiveness”

Defined as the release of a borrower from his or her obligation to repay all or part of the loan.

In some cases, your loan, or a portion of your loan, may be discharged, which means that you would not have to repay the “forgiven” amount. Discharge of your student loan debt may be an option if:

- You become totally and permanently disabled.
- You die. (For PLUS borrowers, the loan will be forgiven if the student for whom the loan was obtained dies.)
- Your school falsely certifies your eligibility for a loan.
- Your school closes before you are able to complete your program of study.
- You teach in a qualifying, low-income school district.
- You perform service in areas of national need.
- Your school does not make a required return of loan funds.
- False certification due to identify theft.

For more details about loan discharge provisions, visit www.dhe.mo.gov/discharge.shtml.

Student Loan Ombudsman

If you have a question or concern about your student loan, first contact your school, lender, or guarantor. Another resource available to you is the U.S. Department of Education’s FSA Ombudsman. The FSA Ombudsman works with student loan borrowers to help informally resolve student loan disputes and problems. The toll-free Ombudsman customer service line is (877) 557-2575. The mailing address is: U.S. Department of Education, FSA Ombudsman, 830 First Street, NE Fourth Floor, Washington, D.C. 20202-5144. For more information, visit www.ombudsman.ed.gov.

Smart Talk

Communicate with your loan holder

Even if you do not remember the specifics of interest accrual or the different repayment plans, you should always remember that you have options for avoiding delinquency or default.

You are obligated to notify your loan holder if you move or change your telephone number. Having the post office forward your mail will not ensure that you will receive written information from your loan holder. In addition, you must contact your loan holder if any of your personal information such as your name or Social Security number changes.

Contact your loan holder immediately if you are having problems making your payments. Ask about your options before your loan becomes delinquent. Do not assume that your loan holder has approved your request for deferment, forbearance, or an alternative repayment plan. Call one week after you mail the information to ensure your loan holder received the original documentation. Even if you submit documentation, you may not be eligible. Do not assume your holder has granted your request unless you receive written verification.

Contact your school if you are having problems communicating with your loan holder. The financial aid office may be able to help you submit the necessary paperwork. Follow up with your school to ensure that this is done. Remember, the loan is your responsibility.

Always keep copies of your loan information in one place. Keep a copy of any loan applications and promissory notes; correspondence from your loan holder(s) and guaranty agency; letters about the sale of your loan; notes from conversations between you and your loan holder(s), including to whom you talked and the date; and repayment schedules or notices.

The MDHE provides a “Loan Portfolio” to hold important loan documents. Please request one from your financial aid office.

Smart to Avoid
Student loan delinquency and default

Loans are not gifts or grants. They must be repaid!

If you do not make a full payment by the due date, your loan is considered delinquent. If the delinquency reaches 270 days, your loan is in default status. Your loan holder will file a default claim with your guaranty agency.

Being in default is a violation of your loan agreement. Your loan holder may reasonably assume you have no intention of repaying your loan. The consequences of default are severe:

Credit report – Your loan holder or guaranty agency will report your default to national credit bureaus. Your default, the most severe credit rating, will remain on your credit report for seven years.

A negative credit rating may impact your ability to obtain other credit in the future for major purchases such as a car or a home.

Transcripts – Although you retain the right to review your academic records, a hold may be placed on your official academic transcript.

Final demand – The entire amount of your loan, including unpaid interest, will become immediately due and payable in full. In other words, your loan holder will not be required to allow you to make monthly payments. Instead, your loan holder will demand payment in full.

Collection agency – Your loan may be turned over to a collection agency.

Collection costs – Collection costs may be assessed to your loan. If collection costs are assessed, payments will be applied to those costs first, then to interest and principal.

Litigation – You may be sued for the debt.

(Continues on page 25.)

Wage garnishment – Up to 15% of your disposable wages may be taken and applied to your defaulted loan. Your guaranty agency will not be required to take you to court before ordering the garnishment.

Refunds/Benefits – Federal Treasury offset or state tax offset may occur, whereby payments you are eligible for (e.g., federal and state tax refunds, veteran's benefits, and Social Security payments) may be withheld and applied toward your outstanding loan balance.

Employment – You may be denied employment by a state, county, city or local government or employment with such agencies may be terminated.

Educational financial assistance – You will be ineligible to receive any federal or state financial assistance funds to continue your education.

Loan repayment options – You will no longer be eligible for deferments, forbearances, or various repayment plans.

Generally, student loans are not canceled if you file bankruptcy. There is no statute of limitations on the collection of defaulted student loans.

Remember:
You have options to avoid delinquency and default!
Contact your loan holder or the MDHE at (800) 473-6757, (573) 751-3940, or info@dhe.mo.gov for more information about repaying your student loans.

A senior theatre performance major at the University of Missouri-Kansas City (UMKC), **Aivy Bui** is looking forward to going on stage to receive a bachelor's degree during commencement activities. Heavily influenced by its metropolitan style, Bui opted to attend UMKC to continue her academic studies. In her spare time, Bui enjoys snowboarding and playing co-ed softball. Over the course of her academic career, Bui utilized student loans to fund her educational endeavors. Upon the completion of her undergraduate program, Bui plans to attend graduate school to enhance her acting skills.

MDHE™
Missouri Department of Higher Education
Building Missouri's future... by degrees®

3515 Amazonas Drive
Jefferson City, MO 65109
(800) 473-6757 • (573) 751-3940
(573) 751-6635 Fax
www.dhe.mo.gov • info@dhe.mo.gov

The Missouri Department of Higher Education administers a variety of federal and state grant, scholarship, and loan programs.

For more information about student financial assistance, contact the MDHE at (800) 473-6757 or (573) 751-3940.

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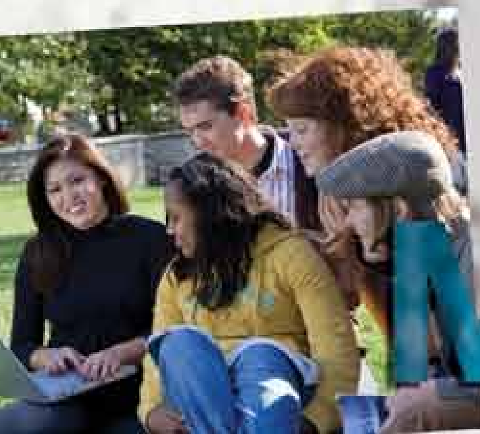
The MDHE makes every effort to provide program accessibility to all citizens without regard to disability. If you require this publication in an alternate form, contact the MDHE at (800) 473-6757 or (573) 751-3940.
Hearing/Speech impaired citizens may call (800) 735-2966.

MappingYourFuture.org

Manage your student loan debt

Mapping Your Future® is your free resource for career, college, financial aid, and **money management** information. Visit ***MappingYourFuture.org*** for more information, and start managing your student loan debt with these steps:

1. Consider student loans only after you have researched all the sources of free financial aid (including scholarships, grants and work-study).
2. Consider all the loan programs available, and compare all your options before making a final decision. Only consider alternative/private loans as a last resort.
3. Plan an in-school and after-school budget before you take out your first student loan.
4. Determine how much you can afford to borrow and how much you can realistically repay.
5. Estimate your student loan payment so you will know how much you will be expected to repay each month.
6. Establish a good credit history by repaying your student loan on time.
7. Contact your loan holder about any changes in your status or anything that may affect your ability to pay your loan. These changes may include transferring to another school, changing your name or address, leaving school, or graduating.
8. Consider deferments or forbearance if you to need to adjust or suspend your payments temporarily.
9. Consider a Federal Consolidation Loan if you want to consolidate several loans or types of loans into one loan.
10. If you have an issue you've been unable to resolve with your school, loan holder, or guarantor, contact your student loan ombudsman.



Manage your money

Start managing your money by following these steps:

Establish yourself financially
mappingyourfuture.org/money/establish.htm

Balance your checkbook
mappingyourfuture.org/money/checkbook.htm

Start budgeting
mappingyourfuture.org/money/budget.htm

Save money
mappingyourfuture.org/money/save.htm

Use your credit cards wisely
mappingyourfuture.org/money/creditcards.htm

Review and understand your credit report
mappingyourfuture.org/money/creditreport.htm

Prevent and detect identity theft
mappingyourfuture.org/money/identity.htm

Use calculators
mappingyourfuture.org/money/calculators.htm

- Budget calculator — Helps you develop a saving and spending plan
- Checkbook balancing tool — Helps you reconcile your checking account records with your bank's records
- Savings calculator— See how valuable saving can be
- Student loan debt/salary wizard — Helps you to understand how much you can afford to borrow in student loan funds (and calculates student loan payments)
- Student loan repayment calculator — Estimates your student loan payments
- Loan consolidation calculator — Estimates your consolidation loan interest rate and payment amount

Manage your loan limits

For **subsidized Federal Stafford Loans**, you may borrow up to your financial need or the federal maximum loan limit (see tables to the right), whichever is less.

For **unsubsidized Federal Stafford Loans**, you may borrow the cost of attendance at your school less any financial assistance received or the federal maximum loan limit, whichever is less.

For **Federal PLUS Loans**, borrowers may receive up to the cost of attendance less the amount of financial assistance received.

Stafford Loan Borrowing Limits
(cumulative for all years of school)

	Subsidized Loans	Unsubsidized Loans					
	All Students	Dependent Students			Independent Students		
Borrower's Academic Level	Limit	Base Amount Sub + Unsub	Additional Unsub	Limit Total Sub + Unsub	Base Amount Sub + Unsub	Additional Unsub	Limit Total Sub + Unsub
Undergraduate	$23,000	$23,000	$8,000	$31,000	$23,000	$34,500	$57,500
Graduate/Professional*	$65,500	n/a	n/a	n/a	$65,500	$73,000	$138,500

* Certain health profession students may be eligible for additional unsubsidized Federal Stafford Loan Amounts.

TIP:

If you need less money than the amount awarded, talk to your financial aid officer about borrowing less. The less you borrow, the easier it will be to pay back. Live like a student now, so you don't have to later.

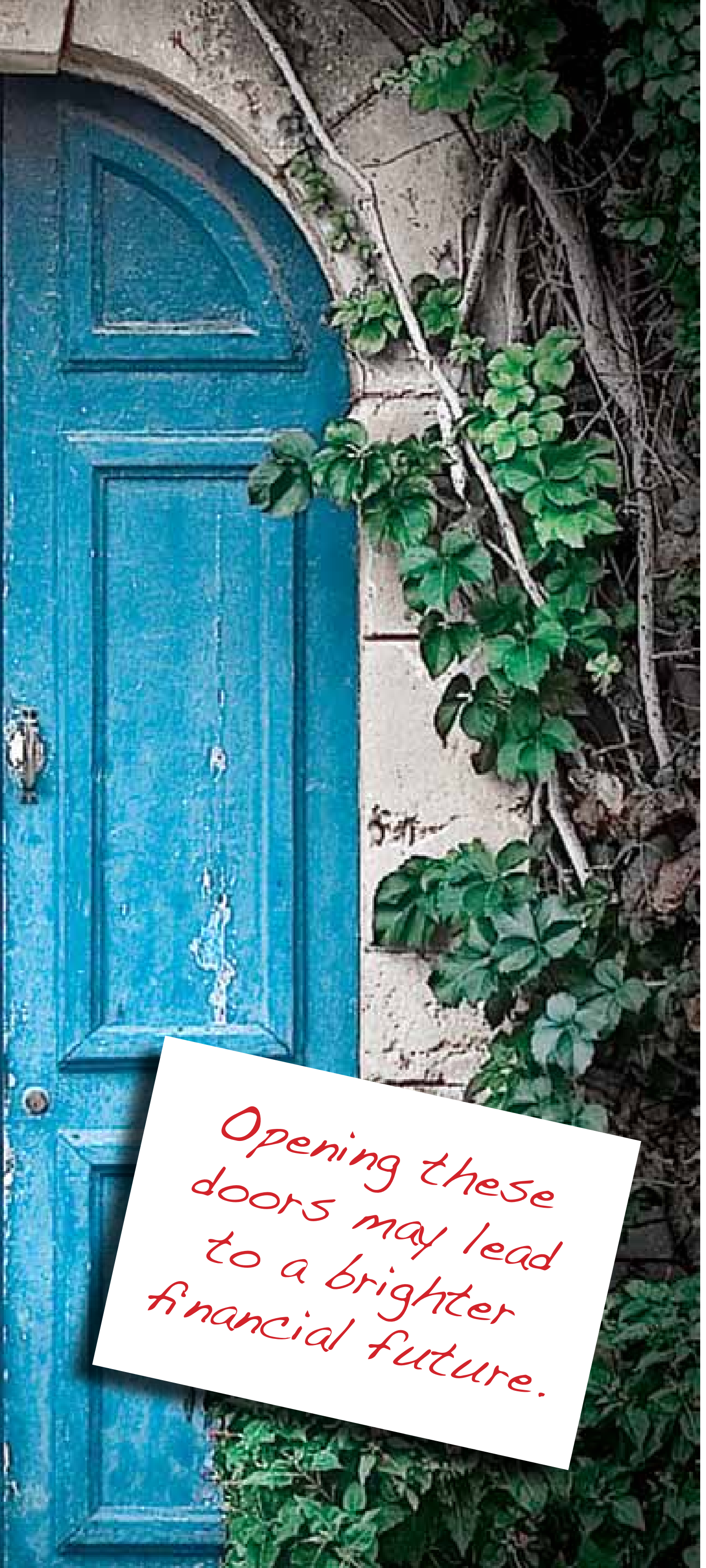
Annual Loan Limits for Dependent Students

Borrower's Academic Level	Base Amount Sub + Unsub	Additional Unsub	Total Amount
First-Year Undergraduate			
Less than one academic year	prorated		prorated
One academic year	$3,500	$2,000	$5,500
Second-Year Undergraduate			
Less than one academic year	prorated		prorated
One academic year	$4,500	$2,000	$6,500
Third-Year & Remaining Undergraduate			
Less than one academic year	prorated		prorated
One academic year	$5,500	$2,000	$7,500

Annual Loan Limits for Independent Students

Borrower's Academic Level	Base Amount Sub + Unsub	Additional Unsub	Total Amount
First-Year Undergraduate			
Less than one academic year	prorated		prorated
One academic year	$3,500	$6,000	$9,500
Second-Year Undergraduate			
Less than one academic year	prorated		prorated
One academic year	$4,500	$6,000	$10,500
Third-Year & Remaining Undergraduate			
Less than one academic year	prorated		prorated
One academic year	$5,500	$7,000	$12,500
Graduate/Professional*	$8,500	$12,000	$20,500

Money Management Tools



Smart Preparation

Loan repayment begins

Making your student loan payments on time each month will help you establish good credit. Plan ahead. Do not wait until you leave school to think about repayment.

National Student Loan Data System (NSLDS)

Your loan repayment start date depends on the type of loan you borrowed. You are required to begin repayment on time, even if you have not heard from your loan holder! If your loan is coming due and you have not received repayment information, contact your loan holder to inquire as to where and when to mail your payments. If you do not know who your loan holder is, visit the NSLDS at www.nslds.ed.gov. If you do not have Internet access, you may call (800) 4-FED-AID. You will also need your FAFSA PIN to access your NSLDS account.

Subsidized and unsubsidized Federal Stafford Loan borrowers are eligible for a six-month grace period. The first payment is due within 60 days after the grace period ends, but you may choose to make payments while in school or during your grace period.

If you choose to make payments for subsidized loans while you are in school or during your grace period, request that your loan holder apply all payments directly to the principal balance.

If you choose to make payments while you are in school or during your grace period for unsubsidized Federal Stafford Loans, amounts paid will be applied to any accrued interest before reducing the principal balance. Paying the interest is a good idea, if you can, to keep your student loan balance as low as possible. If you choose not to make interest payments, the interest amount will be added to your loan principal, increasing your total loan debt.

With **Federal PLUS Loans**, interest begins to accrue and the first payment is generally due within 60 days after the loan is fully disbursed. If you are a graduate or professional student enrolled at least half time or if you are a parent and the student for whom you are borrowing is enrolled at least half time, you may be eligible to receive an in-school deferment. If you can, it is recommended that PLUS borrowers begin making interest payments during any periods of deferment or before the first payment is due. Otherwise, accruing interest will be added to the principal balance.

Choice of lender and servicer

You have the right to borrow from a participating lender and servicer of your choice. Pricing can differ, depending on any repayment benefit programs offered. Additionally, some lenders or servicers subsidize (i.e., pay on your behalf) the up-front fees, such as the Origination Fee (OFee) of 0.5%. Carefully consider your options and select your lender wisely. A list of lender codes may be found at www.dhe.mo.gov/chooserightlender.shtml, showing any lenders that subsidize the 0.5% OFee.

Additionally, many Missouri lenders are associated with the Missouri Higher Education Loan Authority (MOHELA), Missouri's designated secondary market and student loan servicer. MOHELA offers repayment benefits, such as periodic forgiveness programs. Visit www.mohela.com for more information.

Master Promissory Note

The Master Promissory Note (MPN) allows you to receive multiple loans without signing a new note each academic year, as long as you continue to use the same lender. Contact your school for more information about their application process.

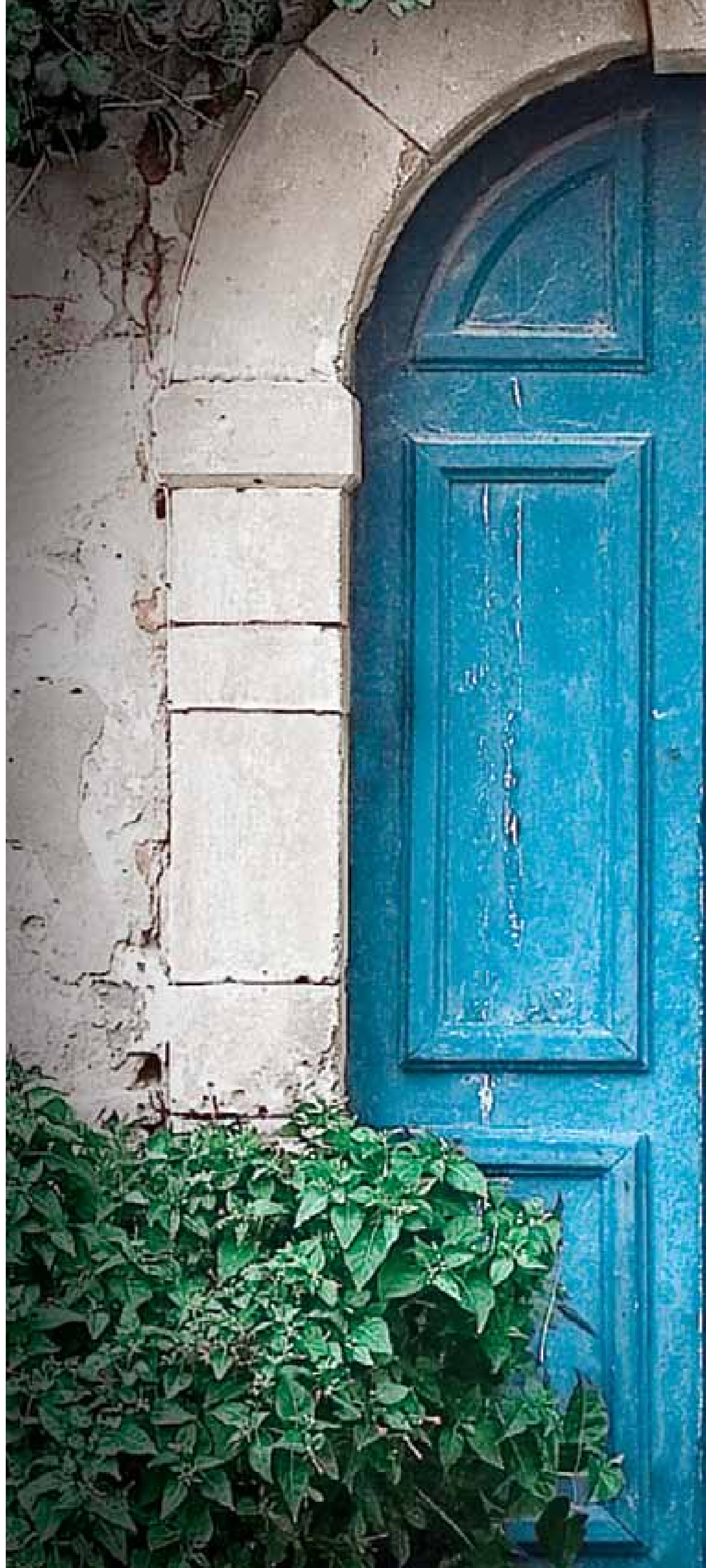
Loan fees

Federal law allows fees to be charged to student loan borrowers. Unless your lender or guarantor is subsidizing these, the fees will be deducted from your total loan amount, and the difference will be disbursed to your school.

The Origination Fee (OFee) for Stafford Loans is equal to 0.5% of the loan amount or 3% for Federal PLUS loans. The OFee is remitted to the U.S. Department of Education. For Federal Stafford Loans, your lender may choose to pay all or a portion of the OFee on your behalf.

The Federal Default Fee (FDF) is equal to 1% of the loan amount. For the 2009-2010 academic year, the MDHE will pay the FDF on your behalf if the school you are attending is in Missouri and the MDHE is the guarantor of your FFELP loan.

Once any loan fees are deducted, your lender will disburse the remaining loan amount to your school. In most cases, you will receive your loan in two or more disbursements according to a schedule set by your school.



Exit Interview Verification Form

Complete and return to: MDHE c/o ASA, PO Box 55757, Boston, MA 02205

Student Information

Please Print Clearly

Name (last, first, MI) ____________________ Date of Birth ____________________

Driver License (state and number) ____________________ Social Security Number ____________________

Permanent Address (street, city, state, zip) ____________________

Permanent Phone ____________________ E-mail Address ____________________

Spouses' Name ____________________

Next of Kin's Name ____________________ Phone ____________________

Address (street, city, state, zip) ____________________

Two Relatives/Adults (who are not residing at next of kin's address and who will always know your whereabouts)

1. Name ____________________ Phone ____________________

Address (street, city, state, zip) ____________________

2. Name ____________________ Phone ____________________

Address (street, city, state, zip) ____________________

Future Plans (Check off and complete all that apply.)

❏ I plan to be employed by (company name) ____________________

Expected Employer's Address (street, city, state, zip) ____________________

❏ I plan to re-enroll at (institution name) ____________________ effective (mo/year) ____________

❏ I plan to perform military service in (branch name) ____________________ effective (mo/year) ____________

❏ Other ____________________

Borrower Rights and Responsibilities Checklist (Check off each box once you understand each statement.)

I understand I have a RIGHT to:

❏ Notification, in writing, if my loan is sold or transferred, showing the name, address, and phone number of the new holder. I must direct all future correspondence to that new holder.
The current holder of my loan is: ____________________
My guaranty agency is: ____________________

❏ Receive information about the availability of the income-sensitive repayment schedule options before my first payment is due, specifying the amount of monthly principal and interest payments, the first due date, and subsequent due dates.

❏ Defer repayment for a defined period if I qualify and if I request it from my lender/holder.

❏ Request a forbearance from my lender/holder if I do not qualify for a deferment and if I am unable to make payments on my loan.

❏ Prepay all or any part of the amount I owe without penalty.

❏ A standard minimum monthly loan payment of $50, which can be more depending on the amount I borrow OR less with a graduated or income-sensitive repayment option.

❏ A maximum of 10 years to repay my loan, unless my loans are consolidated or I qualify for the extended repayment schedule option. Extending my repayment term may increase my total debt.
Repayment begins:

- After a six-month grace period for subsidized Federal Stafford Loans.
- After a six-month grace period for unsubsidized Federal Stafford Loans, even though interest accrues when I am in school and can be paid or added to my principal balance when I enter repayment.
- Within 60 days of the last disbursement for PLUS Loans, unless a deferment has been approved.

I understand:

❏ I must repay my loan and all accrued and/or capitalized interest and fees according to the established repayment schedule even if I drop out of school, cannot find a job, or am dissatisfied with the education I receive.

❏ I must notify my lender(s)/holder(s) if I:

- Change my address
- Change my name
- Change my phone number
- Change my Social Security number
- Re-enroll in school
- Transfer to another school
- Change my graduation date

❏ If I fail to repay my loan, I will be considered in default and the following may result:

- My loan will be reported to national credit bureaus and will have a negative effect on my credit rating for at least seven years.
- The entire unpaid amount of my loan, including interest, will become immediately due and payable.
- My federal Treasury payments and state income tax refunds may be withheld.
- My wages may be garnished.
- I may be ineligible to receive any additional federal or state financial aid funds.
- My loan may be turned over to a collection agency.
- My guarantor or the U.S. Department of Education may file a lawsuit to collect the debt.

I have read and understand all of the above information as well as the borrower's rights and responsibilities section contained on my promissory note. I also understand that my student loans are generally not dischargeable through bankruptcy.

Borrower Signature ____________________ **Date** ____________